EVALUATION OF RISK & RETURN OF SHARE PRICE IN NSE THROUGH TECHNICAL ANALYSIS -A STUDY OF SELECTED INDIAN PHARMACEUTICAL COMPANIES

Synopsis

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INTRODUCTION

Stock market plays a crucial role in performance of economy. It channelizes the financial resources of individuals and business enterprises and conduct them into effective purposes. Although numerous people invest in the market and result from them not much good and safe.

According to study 90% of people who has invest in market without any knowledge get lose at the last. For the functioning of stock market proper knowledge and studies are requires. Emotions and strategies are two most important factors over control the stock market. If anyone wants to invest into market and get better result from market. They have to act without any emotions and understand certain strategies to get better returns from market. technical analysis is one of the best methods to get better returns from the market.

Efficient market assumption explains the prices in speculative markets. Security analysis of stock market describe the behavior of many kinds of resources in portfolio. It turns into an essential investment choice in finding estimation of stock. Security analysis is mandatory because stock market is the platform of high risk and high returns. Fundamental analysis, technical analysis and quantitative analysis helps to accomplished the security analysis.

Technical analysis

Technical analysis is the art of understanding the stock market. It is one of the most important tools used by market participant in every stock market in the world. It forecast the price movement of market. Technical analysis predicts patterns & trends in stocks market and also studies investors behavior. Its effect on subsequent price action of financial instrument. Technical analysis widely used to understand the charts & indicators that show the price trend of the market over the time.

It is techniques to claim the ability to predict future prices of shares based on its past performance. Its evaluating securities by analyzing statistics generated through market activity such as past price volume. Investors believe the past performance of the market & stocks indicates future performance.

Technical analysis helps investors to analyze financial strength of corporate growth of earning & profitability, investors need to calculate the risk & returns ratio before taking any trade. Technical analysis indicators are price, volume and value it helps to take decision regarding entry, hold and exit time. The theory of technical analysis is based on such assumption:

- **Market discounts everything: -** Technical analyst base their analysis on price movement, which in this case is affected by supply and demand rather than by earning growth, revenue growth, or other signs of fundamental strength. The discounting process is carried out by professional market makers who constantly keep track of market condition.
- **History of market trends to repeat itself: -** The basic idea in technical analysis is that history will repeat itself, be it in the short term and long term. For this reason, technical analyst trying to understand the past price movement to try and accurately predict future price movement. The repetitive nature of price movement makes it possible to predict future price movement.
- **Prices of market move in trends: -** Technical analyst also maintain that price changes are not random. Instead they follow a given trend, which can be either bullish and bearish following identifiable patterns that tend to repeat over time whenever a trend is established, the underlying assets is likely to continue moving in given direction until a new trend is established.

  When it comes to price movements, technical analysts believe that price moves in short, medium- and long-term trends. For long term traders who hold trades for days, weeks or months, long term chart such as hourly, daily and weekly become most valuable. Short term trader who hold trades for minute should pay attention to short term charts, which can be in 5- minute to 15-minute periods.

Random Walk Theory

Random walk theory suggests that changes in stock prices have the same distribution and are independent of each other. Therefore, it assumes the past movement or trend of a stock price or market cannot be used to predict its future movement. Random walk theory believes it's impossible to outperform the market without assuming additional risk. It considers technical analysis undependable because chartists only buy or sell a security after an established trend has developed. The Random Walk Theory assumes price movements in the stock market are not predictable since they are determined by unexpected events with no correlation to the past.

REVIEW OF LITERATURE

The following review have been conducted while conducting the study:

- International Review of Literature
- National Review of Literature

TABLE 1: INTERNATIONAL REVIEWS OF LITERATURE

S. No.	Author Name	Year	Topic	Objective	Findings
1	Bhatia A.	2021	Technical analysis and its use in the stock markets	To determine the reliability of technical analysis using charting patterns (both classical and Japanese candlesticks). To test the reliability of such charting patterns on small and midcap companies. To find the applicability of theory of charting patterns in practice.	Researcher found that Japanese candlestick got achieve 72% success rate and classical price pattern got achieve 80% success rate. Anyone wants to enter in trading they have to understand correctly these price pattern and they can get best result from that.
2	Rao M., Navvula D.	2020	Risk and return analysis of selected Nifty banking stocks	Analysis the risk and return of selected banking stocks during the study period. Comparative risk and return analysis of selected banking stocks between united progressive alliance, national democratic alliance government. Comparative study on risk and return of public and private sector banks during the study period.	Study conclude that all stock creates positive double-digit return. And also conclude that UPA government policies facilitate to banking industry as a whole in turn, generate positive return to all banking stocks. Beta value of UPA government is high as compare to NDA government.
3	Kumar R., Reddy P.	2020	A Study on Technical Analysis of Equity Stocks	To estimate current market position of the company. To help for easy decision-making process to invest in the equities. To distinguish between profit- and loss-making scripts. To analyse the performance of selected stock.	On the basis of technical analysis research found that Glenmark co. is going to upward movement of the stock so investor should be investing them and reliance co. going to downward

					movement of the stocks so investor should not be investing them.
4	Baliyan M., Rathi P.	2019	Technical analysis to predict the future prices of ICICI bank	To study technical analysis of selected stocks out buy or sell signal different. To analyse price movements using relative strength index.	With the using technical indicator Study conclude that rate of change line is recline under oversold condition so researcher can buy the share the selected banks and RSI indicate the situation overbought that means researcher cannot buy the share of selected banks.
5	Choudhuri S.	2019	A Research on Trading of Sensex Stocks by using RSI	To study the signal generating capacity of RSI on Sensex stocks. To Compare the trading results between buy and hold strategy and RSI	Research conclude that trading with RSI give more returns as compare to simple hold and buy strategy. This study also found that online trading with brokerage and without brokerage give different result.
6	Subramanyam P.	2018	A study on risk & return analysis on selected securities in India	To study the risk and return assessment of equities. To study the co-efficient of variation of equities. To suggest the investor how to invest in equities. To measure the risk of selected securities with the help of tool and techniques.	The researcher by using fundamental analysis found that financial performance and position of the firm are corelated with current market price and by using technical analysis researcher found that historical data taken used to observe the trend follow by the scrip's.
7	Kumar R.	2018	Risk and return analysis of selected stock listed on nifty financial services index	To study the variation in stock returns for the study period from 1 April 2016 to 31 march 2017. To rank the company on the basis of actual return, abnormal return and	Researcher conclude that stock having highest return with low beta value where the risk and return are low. Also found that rural electrification

				CAPM return. To rank the company on the basis of systematic risk and unsystematic risk. To offer meaningful suggestions to the investors based on finding on the study.	corporation ltd has highest return and abnormal return and Kotak Mahindra bank has lowest risk as compare to other stocks.
8	Bhargavi R., Gumparthi S.	2017	Relative Strength Index for Developing Effective Trading Strategies in Constructing Optimal Portfolio	To evaluate the performance of RSI in case of short-term investments. To find the validity of RSI in Indian stock markets. To find if P/E ratio or EPS better reflects the profitability of an organisation	Researcher found that RSI is one of the most important tools of technical analysis it helps to create an effective portfolio and also found that P/E ratio better reflect the performance of organization as compare to EPS.
9	Valarmathi A., kowsalya P.	2016	A Study on the Technical Analysis of NSE Towards IT Stocks with Reference to Indian Stock Market	To analyse the price fluctuations in the IT stocks. To analyse the demand and supply of a scrip influencing the price. To identify the market trend of IT stocks. To compare the price difference in NSE of IT stocks.	The study found that after recession the IT companies provide shot term investment gain to its investors and found that IT industry trends up with gradual price fluctuation. It is concluded that investors can invest in the IT stocks in future also with the consideration of country scenario.
10	Sudheer V.	2015	Trading through technical analysis: an empirical study from Indian stock market	To study the relevance of technical analysis in Indian stock market. To analyse the recitation of selected scripts in Indian stock market and to predict the future trends in the share prices through technical analysis. To suggesting the investors' in making investment decisions (whether to buy /sell) in selected scripts.	The researcher found that Maruti & HINDUSTAN UNILEVER going to upward AMBUJA cement & NMDC is highly fluctuate and ICICI bank, TATA steel, CIPLA going to downward.

TABLE 2: NATIONAL REVIEW OF LITERATURE

S. no.	Author name	Year	Topic	Objective	Findings
1	Sadhwani R.	2021	Technical Analysis of Selected Auto Shares Listed on Indian Stock Exchange	The objective of the study is to understand trends and pattern of selected auto shares listed on national stock exchange. Also, the objective is to forecast the share prices using technical analysis	The research conclude that auto sector has in bullish phase investor can buy the shares of Maruti and Bajaj and for the Mahindra &Mahindra they have to be give some time.
2	Kishori B., Divya K.	2020	A study on technical analysis for selected Companies of BSE	To study and understand the historical data regarding price of shares of selected companies of BSE SENSEX. To analyse the price movement of the shares. To identify the trading opportunity of the shares	Study found that technical analysis forecast the future price movement of shares of selected co. and give trading opportunity of share of selected co. this helps to take perfect investment decision.
3	Kuamr S.	2019	A study on technical analysis of equity shares with special reference to avenue super marts ltd (ASL)	To analyse the price movements of shares of avenue super marts ltd and interpret the corrections and trends by using technical analysis tools. To forecast the future trends and provide suitable suggestions to the investors. To identify the inherent technical strength and weakness of the equity share.	Through this study researcher found that indicator helps to forecast the future direction movement of share price of selected co. and also plays important role in investment decision.
4	Choudhary P., Bhatnagar A.	2018	A Study on Technical analysis of selected PSUs and their market movements with relation to BSE	The aim is to test the movement of selected PSUs securities in relation to Market Indices.	Researcher found that all selected stock gets effective financial condition.
5	Berry R.	2017	Investment Decision Making Using Technical Analysis: A Study on Select Stocks in Indian Stock Market	To analyse the share price movement of select companies to find out returns. To employ various technical tools to analyse the price movements. To group the overbought and oversold companies based on RSI. To suggest the investors on	Study conclude that stock market is highly fluctuating but with help of technical analysis researcher predict that all selected give positive result investor should invest them.

				buy hold or sell strategies based on technical indicators.	
6	Hedge M.	2017	Study on Use of Technical Analysis in Forecasting Price Moments of Selected Companies of NSE & BSE	To study pattern in stocks by using Technical Analysis. To study price moments by using different techniques. To take buy or sell decisions by interpreting Trend.	The study found that RSI is 50 and above indicates that company shares are overbought investor can sell the stocks. RSI is below 40 indicates that company shares are oversold investors can buy the stocks. Moving average indicates that investor can take long term position when there is bullish divergence.
7	Boobalan C.	2014	Technical analysis in select stocks of Indian companies	To study the relevance of technical analysis in Indian capital market. To analyse the performance of select companies in Indian stock market and to predict the future trends in the share prices through technical analysis. To find out risk and return for selected securities Technical analysis on selected stocks and interpret on whether to buy or sell. To suggesting the investors in making investment decisions in selected stock.	On the basis of prediction of five companies' different pattern of stock market had analyzed. It gives an idea of future trend of these companies with right technical analysis tools.
8	Dhutti K.	2014	Stock Price Movement of Information Technology Sector through Technical Analysis	To study the various chart patterns on the historical data of the selected IT companies. To analyse the relation and relative strength index of IT stocks. To analyse the risk and return of IT stocks with relation to CNX IT index through Beta.	Researcher found that RSI of Wipro and Mahindra Satyam are in overbought category, investors should exist at this point for accumulated gains, investors can invest in TCS. It is less risky and can give returns according to market return.

RESEARCH GAP

After reviewing above mentioned International and National reviews it has been observed that these studies based on technical and fundamental analysis of stock market, A study on technical analysis for selected companies for BSE, evaluation of portfolio analysis on selected securities of NSE in India. Very few studies have been conducted on technical analysis on pharmaceutical sector and some other aspects related to technical analysis of Indian stock market are not mention earlier. The proposed study will undertake to technical analysis of stock market with special reference of pharmaceutical company, also researcher will analyse how technical indicator helps to predict share price movement of stock market and how will take decision regarding investment. Therefore, "EVALUATION OF RISK & RETURN OF SHARE PRICE IN NSE THROUGH TECHNICAL ANALYSIS -A STUDY OF SELECTED INDIAN PHARMACEUTICAL COMPANIES" has been taken into consideration.

NEED OF THE STUDY

- To acquire knowledge about the Technical Indicators and also understand of trend analysis before Investing.
- To understand entry and exit point for trading of Indian Stock Market.
- Through chart pattern, Investor can understand movement of price, forming of trend, dipping of price and other events.
- To identify the opportunities available in Indian stock market regarding technical analysis.
- To analyse risk & return of selected stocks of pharmaceutical companies.

OBJECTIVES OF THE STUDY

Following are objective of the study:

- To analyze the risk & return of Selected Stocks of pharmaceutical companies with relation to Nifty Pharma Index.
- To predict the future trend of share price of selected pharmaceutical companies through Technical Analysis.
- To examine the impact of market volume on share price of selected pharmaceutical companies in Indian Stock Market.

- To analyze of investors' perception regarding Technical Analysis of Indian Stock Market.

RESEARCH HYPOTHESES

To achieve the objective of the study, the following null hypotheses will be considered.

H_{01}: - There is no significant impact of risk & return on share price of pharmaceutical companies in Indian Stock Market.

H_{02}: - There is no significant impact of technical indicator on share price of pharmaceutical companies in Indian Stock Market.

H_{03}: - There is no significant impact of market volume on share price of pharmaceutical companies of Indian Stock Market.

H_{04}: - There is no significant difference in investors' perception regarding technical analysis of Indian Stock Market.

RESEARCH METHODLOGY

RESEARCH DESIGN

The research design for the study will be descriptive as well as analytical in nature.

DURATION OF THE STUDY

The duration of the study will be seven financial years from 2015-16 to 2021-22.

SAMPLE SIZE

For the purpose of study of technical analysis of stock of Indian company all Ten pharmaceutical companies are selected on the basis of Nifty Pharma Index as on 31st August 2021 which are as follows:

TABLE: 3 LIST OF COMPANIES

Sr. No.	Company	Registered office	Weight %
1	Sun Pharmaceutical Industries	Vadodara, Gujrat	23.59
2	Divi's Laboratories Ltd.	Hyderabad, Telangana	18.14
3	Dr. Raddy Laborites Ltd.	Hyderabad, Telangana	15.72
4	Cipla Ltd.	Mumbai, Maharashtra	13.25
5	Lupin Ltd.	Mumbai, Maharashtra	6.34
6	Aurobindo Pharma Ltd.	Hyderabad, Telangana	5.63
7	Alkem Laboratories Ltd.	Mumbai, Maharashtra	4.72
8	Biocon Ltd.	Bengaluru, Karnataka	4.50
9	Torrent Pharmaceuticals Ltd.	Ahmedabad, Gujrat	4.19
10	Cadila Healthcare Ltd.	Ahmedabad, Gujrat	3.90

Source: https://www.nseindia.com/

DATA COLLECTION

For the study of Technical Analysis of Indian Stock Market data will collect from both primary and secondary resources.

Primary data: For the collection of primary data, questionnaire will be formulated in order to collect the relevant information. Sample size for the primary data will be 200 respondents taken from Qualified Institutional Investors (QII), High Net-Worth Individuals (HNI), Retail Investors.

TABLE 4: RESPONDENTS

Sr. No.	Respondents	No. of respondents
1.	Qualified Institutional Investors (QII)	50
2.	High Net-Worth Individuals (HNI)	50
3.	Retail Investors	100
	Total Respondents	200

Secondary data: Data will collect through NSE website, RBI website, annual reports of selected companies from their website.

TOLLS & TECHNIQUES For achieving the above-mentioned objectives, different set of techniques and tools like Moving Average, Relative Strength Index, Beta, Standard Deviation and Sharpe Ratio will be applied. In order to test the hypothesis, the study will use Chi Square Test, T-Test, regression, Granger Causality Test.

TABLE 5: OBJECTIVE WISE RESEARCH METHODOLOGY

Sr. No.	Objective	Research methodology
1	To analyze the risk & return of Selected Stocks of pharmaceutical companies with relation to Nifty Pharma Index	This objective will be achieved by calculating Beta, Sharpe Ratio, Standard Deviation and hypothesis will be test by T -test etc.
2	To predict the future trend of share price of selected Pharmaceutical companies through Technical Analysis	This objective will be achieved by using Technical Indicator (Relative Strength Index, Moving Average) and hypothesis will be test by regression etc.
3	To examine the impact of market volume on share price of selected pharmaceutical companies in Indian stock market	This objective will be achieved by trading volume and hypothesis will be test by Granger Causality Test.
4	To examine the investors' perception regarding Technical Analysis of Indian Stock Market.	This objective will be achieved by questionnaire and hypothesis will be test by Chi Square Test.

TABLE 6: PROPOSED PLAN

Chapter-1	Introduction
Chapter-2	Review of Literature
Chapter-3	Overview of the Technical Analysis
Chapter-4	Analysis of risk & return of selected stocks of pharmaceutical companies
Chapter-5	Analysis of performance of selected companies through Technical Analysis
Chapter-6	Analysis of investors' perception regarding Technical Analysis
	Finding, Conclusion and Suggestion
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